

August 2010  
Indiana Downs  
2010 Standardbred Purse Account

|                  | Race<br>Days | Simulcast       | Live Racing  | Export        | Gaming         | Source<br>Market | Breed<br>Development | Interest/<br>Other | Total<br>Additions | Admin Fee      | Total<br>Purses Paid | Total<br>Disbursements | Net Activity<br>For Month | Gross Purse<br>Payable |
|------------------|--------------|-----------------|--------------|---------------|----------------|------------------|----------------------|--------------------|--------------------|----------------|----------------------|------------------------|---------------------------|------------------------|
| 12/31/09 Balance |              |                 |              |               |                |                  |                      |                    |                    |                |                      |                        |                           | 840,035.13             |
| January-10       |              | 138,404.95      | -            | -             | 587,331.55     | -                | -                    | -                  | 725,736.50         | (4,152.15)     | -                    | (4,152.15)             | 721,584.35                | 1,561,619.48           |
| February-10      |              | 131,107.54      | -            | -             | 637,227.76     | -                | -                    | 264,200.00         | 1,032,535.30       | (3,933.23)     | -                    | (3,933.23)             | 1,028,602.07              | 2,590,221.55           |
| March-10         |              | 138,761.63      | -            | -             | 718,190.77     | -                | -                    | 323,900.00         | 1,180,852.40       | (4,162.85)     | -                    | (4,162.85)             | 1,176,689.55              | 3,766,911.10           |
| April-10         |              | 111,960.27      | -            | -             | 637,084.20     | -                | -                    | -                  | 749,044.46         | (3,358.81)     | -                    | (3,358.81)             | 745,685.66                | 4,512,596.76           |
| May-10           |              | 143,090.28      | -            | -             | 651,745.90     | -                | -                    | 154,700.00         | 949,536.18         | (4,292.71)     | -                    | (4,292.71)             | 945,243.47                | 5,457,840.23           |
| June-10          |              | 117,138.48      | -            | -             | (1,138,047.57) | -                | -                    | -                  | (1,020,909.09)     | (3,514.15)     | -                    | (3,514.15)             | (1,024,423.24)            | 4,433,416.98           |
| July-10          | 8            | 117,089.99      | 13,863.63    | 31,590.93     | 642,274.86     | -                | 447,200.00           | (22,700.22)        | 1,229,319.19       | (4,876.34)     | (957,700.00)         | (962,576.34)           | 266,742.85                | 4,700,159.83           |
| August-10        | 20           | 122,274.32      | 36,713.54    | 101,029.41    | 640,858.89     | -                | 2,913,900.00         | 161.62             | 3,814,937.78       | (7,800.52)     | (4,828,250.00)       | (4,836,050.52)         | (1,021,112.74)            | 3,679,047.09           |
| September-10     |              |                 |              |               |                |                  |                      |                    |                    |                |                      |                        |                           |                        |
| October-10       |              |                 |              |               |                |                  |                      |                    |                    |                |                      |                        |                           |                        |
| November-10      |              |                 |              |               |                |                  |                      |                    |                    |                |                      |                        |                           |                        |
| December-10      |              |                 |              |               |                |                  |                      |                    |                    |                |                      |                        |                           |                        |
| 28               |              | \$ 1,019,827.45 | \$ 50,577.17 | \$ 132,620.34 | ##### \$       | -                | ##### \$             | 720,261.40         | \$ 8,661,052.72    | \$ (36,090.75) | \$ (5,785,950.00)    | \$ (5,822,040.75)      | \$2,839,011.96            |                        |

RECONCILIATION TO CASH BALANCE 8-31-10

|                        | ADJUSTMENTS | BALANCE      |
|------------------------|-------------|--------------|
| GAAP LIABILITY 8-31-10 |             | 3,679,047.09 |

|   |                |              |
|---|----------------|--------------|
| Outstanding Items List                          |                |              |
| Current Month Simulcast Purses                  | (122,274.32)   |              |
| Current Month Live Racing Purses                | (36,713.54)    |              |
| Current Month Export Purses                     | (101,029.41)   |              |
| Current Month Admin Fee                         | 7,800.52       |              |
| Current Month Gaming                            | (640,858.89)   |              |
| Current Month Interest Other, Net               | (39,296.42)    |              |
| Total Current Month Items                       | (932,372.06)   |              |
| Other Adjustments:                              |                |              |
| Breed Development Receivable                    | (1,033,150.00) |              |
| Prior Month Admin Fee Payable                   | -              |              |
| Export Host Fees Receivable                     | -              |              |
| Unpaid Purses                                   | 199,449.00     |              |
| Adjustment to convert cash<br>handle to accrual | -              |              |
| Nomination fees deposited in July 2010          | -              |              |
| Cash Balance 8-31-10                            | (1,766,073.06) | 1,912,974.03 |
| Actual Cash Balance                             |                | 1,912,974.03 |
| Difference                                      |                | (0.00)       |

Note 1 Purses paid in error

A \$462,300 error was made when making the complicated switch from accrual to cash accounting, midstream of the end of the 2009 harness meet. This error was corrected on 7/22/10, upon discovery. This amount represents purses already paid to horsemen during and immediately after the 2009 harness meet by our third-party bookkeeping vendor. Those purses were paid to winning horsemen well in advance of the purse funds actually being "earned", or available, as we were in an overpaid status. Indiana Downs had those funds advanced to the horseman's benefit. Indiana Downs mistakenly reimbursed itself for this, as it closely mirrored a comparable transaction for \$338,950, with very similar mid meet-end timing and third party disbursement and reimbursement circumstances, for which we correctly reimbursed ourselves. The difference in the transactions was that we had physically advanced the \$338,950 from our own funds in order to pay those winning purses promptly, and, similarly -- we mistakenly thought that the same procedure had been followed, when, in fact, the vendor had advanced these funds and was ultimately reimbursed from a future month's AGR deposit. This error was a one-time error associated with the severe complexity of switching from accrual accounting to cash accounting in mid-stream, and was further compounded by a third-party payor and Indiana Downs advancing winning horseman's purses -- that had not yet been earned, by well over \$800,000 in several different transactions immediately preceding, and after, the end of the meet. This set of circumstances was unique to the new purse process, and cannot occur again.

Note 2 Nomination Fees

This error was caused by a failure to deposit the nomination fees received into the correct purse account. They were deposited into an account that Indiana Downs used in the "accrual days", and still uses internally to this day as a purse and trust account clearinghouse account. We have internally referred to it as "the Purse Account". This obviously differs from the "Purse Trust Accounts", but our continued use of the older terminology kept us from recognizing the error.. It was discovered when reconciling the monthly reports of June 2010 during mid July 2010, with the Commission's newly recommended reconciliation formula. The error has been fully corrected with deposits on 7/19/10 and 8/6/10. A simple check and balance system has been implemented to prevent this error from recurring.